

# **PUBLIC DISCLOSURE**

**February, 2, 1998**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**The Bank of Alamo  
09961**

**9 North Bells St.  
Alamo, Tennessee 38001**

**Federal Deposit Insurance Corporation**

**510 Poplar Avenue, Suite 1900  
Memphis, Tennessee 38137**

**NOTE:** This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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## GENERAL INFORMATION

*The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.*

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **The Bank of Alamo** prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **February, 2, 1998**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

## **INSTITUTION RATING**

**INSTITUTION'S CRA RATING:** This institution is rated Satisfactory.

The bank's assessment area is defined as Block Numbering Area 9611 and 9613 of Crockett County, Tennessee. The average net loans to deposit ratio since the previous evaluation is 75 percent. This is considered reasonable. The bank has a satisfactory record of lending within the assessment area. The distribution of lending to borrowers of different income levels and the different geographies is reasonable.

## **DESCRIPTION OF INSTITUTION**

The Bank of Alamo is a \$63 million financial institution headquartered in Alamo, Tennessee. The institution is located approximately 90 miles northeast of Memphis, and approximately 16 miles west of Jackson, Tennessee. The bank operates a main office in Alamo along with branch offices in Alamo and Maury City, Tennessee. The bank offers Saturday banking until noon and provides an Automated Teller Machine (ATM) at both offices in Alamo. Bank offices are closed on Wednesday.

As of December 31, 1997, the bank's total assets were \$62,810,000. The major assets include net loans totaling \$38,791,000, securities totaling \$15,990,000 and other assets totaling \$8,029,000.

The Report of Condition as of December 31, 1997, statement disclosed that the loan portfolio was comprised of the following types of loans:

LOAN TYPE	AMOUNT	PERCENT
1-4 Family Residential	10,205,000	26
Multifamily residential	876,000	2
Agricultural	8,900,000	23
Commercial	5,865,000	14
Nonfarm nonresidential	4,249,000	11
Consumer	9,186,000	23
Other	259,000	1
Total Loans	39,540,000	100
(Less allowance for loan and lease loss)	( 749,000)	NA
Net Loans	38,791,000	NA

The bank offers a variety of credit products which includes home loans, automobile loans, residential construction loans, commercial business and agricultural loans, and consumer loans. The bank is primarily a residential and consumer oriented lender. Some borrowers also use home equity for general purpose consumer loans. The bank is located in an agricultural area with little or no land for sale. Therefore, there is a limited number of home purchase loans originated each year. The bank originates fixed rate loans with maximum amortization of 20 years. The bank borrows from the Federal Home Loan Bank and lends this money out in home loans. Required equity position varies depending on the credit-worthiness of the borrower. Instances of 90 percent financing were noted.

A review of the bank's loan portfolio indicated that the bank originates relatively small loans. The largest farm loan from the universe of 112 loans was in the amount of \$350,000. A trial balance of 49 commercial loans originated during the past 13 months was reviewed. A majority of these were small, less than \$50,000, and the largest was in the amount of \$134,619. In the bank's residential real estate universe of 79 loans originated during the past 13 months, only two loans were for amounts in excess of \$100,000. During the past seven months, the bank has originated approximately 142 consumer loans for such things as: boats, motors, autos, household goods, and others. Of these, 121 were for \$10,000 or less, and 7 were for \$1,000 or less. The consumer loan universe reviewed during this evaluation is reflective of the loan portfolio as a whole.

There are no known financial or legal impediments that would hinder the bank's ability to meet the community credit needs.

## **DESCRIPTION OF *Block Numbering Areas 9611 and 9613 in Crockett County***

Crockett County is primarily an agricultural county. Data obtained from the Crockett County Chamber of Commerce disclosed that there are 1,600 farmers in the county. In 1997, there were 82,000 acres of cotton, 6,000 acres of corn, 21,000 acres of soybeans, and 4,000 acres of wheat planted.

The bank's assessment area is comprised of Block Numbering Areas (BNAs) 9611 and 9613 in Crockett County. The only incorporated town in BNA 9611 is Alamo, where the main office and one branch are located. BNA 9613 has only one incorporated town, Maury City, where the bank has a branch office. Based upon the 1990 Census data, the two BNAs that are in the bank's assessment area are considered middle-income tracts.

The main office is located in a rural area with the economy dependent upon agriculture and light manufacturing. Management stated that the economy in the area is good and stable with a county unemployment in December 1997 of approximately 6.9 percent. This percentage goes down in the spring and again in the fall of the year. The farmers experienced a good crop year in 1997; however, the price of cotton went down which decreased the farmers income.

According to an outside contact, the town of Alamo is growing at a slow rate, and Maury City is not growing. The contact also stated that the Chamber of Commerce is working to help the growth in both towns. The total population for the assessment area is 6,669, with 24 percent being below the age of 18, and 19 percent aged 65 years and over. Housing growth in the area has been weak and is due, in part, to the cost of real estate.

Some of the largest employers in the assessment area are the following manufacturers: Asea Brown Boveri, 270 employees; Angelica, 200 employees; and Little King, 110 employees.

The institution's competition in Alamo includes branches of two large banks, and a Farm Credit Service office. In Maury City, where the bank has a branch, there is one other bank. Other towns around the assessment area also have banks. There are no finance companies or mortgage companies located in either Alamo or Maury City.

The income levels, a percent of Median Family Income (MFI) was used to determine ranges. Income ranges based on the 1990 and 1997 State Non-metropolitan MFI, \$24,935 and \$33,200, respectively, are described in the following table. The 1990 income ranges are used for geographic distribution which is based on census data; however, 1997 MFI is used in

analyzing lending to borrowers of different income levels which is based on current income of the borrowers.

INCOME LEVEL	DEFINITION	1990 RANGE	1997 RANGE
Low	Less than 50%	Under \$12,468	Under \$16,600
Moderate	50% to 80%	\$12,468 to 19,948	\$16,600 to \$26,560
Middle	80% to 120%	\$19,948 to 29,922	\$26,560 to \$39,840
Upper	More than 120%	Over \$29,922	Over \$39,840

Based upon the above data, both BNAs are middle income.

An analysis of the families in the assessment area within various income ranges from the 1990 census data was reviewed. Of 1,876 total families, 22.8 percent are low income, 19.4 percent are moderate income, 22.4 percent are middle income, and 35.4 percent are upper income. Families below poverty level represent 15.2 percent of 1,876 total families.

The following tables list some selected demographic and housing information regarding the institution's assessment area.

Population	Persons 18 years or Older	Labor Force Number	Unemployed Number	Housing Units Number	Housing Unit Owner Occupied
6,669	5,052	3,055	200	2,811	1,951

Households	HH % Below Poverty Level	HH% Public Assistance	Median Family Income	Median Household Income	Median Housing Value	Median Age of Housing
2,638	22	16	23,420	18,793	37,205	31

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan to Deposit Ratio

The bank's average net loan to deposit ratio for the period December 31, 1994 to December 31, 1997 was 75 percent. The net loan to deposit ratio at the time of the examination was 81 percent. The bank's overall level of lending is exceptional.

### Lending in the Assessment Area

A sample of 55 consumer loans totaling \$270,272 was reviewed from a universe of 142 loans totaling \$785,010 originated between July 1, 1997 and February 2, 1998. An analysis of the loan sample is in the following table.

CONSUMER LOANS				
LOCATION	NUMBER	PERCENT	AMOUNT	PERCENT
Inside Assessment Area	39	71	198,533	73
Outside Assessment Area	16	29	71,739	27
TOTAL	55	100	270,272	100

A sample of 35 residential real estate loans totaling \$1,209,876 was reviewed from a universe of 79 loans totaling \$2,906,376 originated between January 2, 1997 and February 2, 1998. An analysis of the loan sample is as follows.

RESIDENTIAL REAL ESTATE LOANS				
LOCATION	NUMBER	PERCENT	AMOUNT	PERCENT
Inside Assessment Area	30	86	913,758	76
Outside Assessment Area	5	14	296,118	24
TOTAL	35	100	1,209,876	100



A sample of 42 farm loans totaling \$2,455,074 was reviewed from a universe of 112 loans totaling \$4,028,733 originated between January 2, 1996 and February 2, 1998. An analysis of the loan sample is in the following table.

FARM LOANS				
LOCATION	NUMBER	PERCENT	AMOUNT	PERCENT
Inside Assessment Area	31	74	2,014,283	82
Outside Assessment Area	11	26	440,791	18
TOTAL	42	100	2,455,074	100

As the above tables reveal, 71 percent (by number) and 73 percent (by dollar) of consumer loans, 86 percent (by number) and 76 percent (by dollar) of the bank's residential real estate loans, and 74 percent (by number) and 82 percent (by dollar) of farm loans were originated within the assessment area. Because a majority of the bank's loans are within the assessment area, the bank's lending is satisfactory.

#### Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The following two tables reflect lending distribution of consumer loans and residential real estate originated inside the assessment area using the 1997 Statewide Non-MSA MFI figure of \$33,200 to determine the income level of the borrowers.

CONSUMER LOANS				
INCOME LEVEL	NUMBER	PERCENT	AMOUNT	PERCENT
Low	23	59	101,689	51
Moderate	8	20	49,255	25
Middle	7	18	30,824	16
Upper	1	3	16,765	8
TOTAL	39	100	198,533	100

RESIDENTIAL REAL ESTATE LOANS				
INCOME LEVEL	NUMBER	PERCENT	AMOUNT	PERCENT
Low	8	27	98,452	11
Moderate	6	20	143,994	16
Middle	7	23	233,254	25
Upper	9	30	438,058	48
TOTAL	30	100	913,758	100

As evidenced by the above tables, the bank is lending to borrowers of different incomes with 79 percent (by number) of consumer and 47 percent (by number) of residential real estate loans being extended to low- and moderate-income individuals. A satisfactory percentage of the dollar amounts originated (76 percent of the consumer loans and 27 percent of the residential real estate) were also to these income segments.

In addition, a review of the farm loans within the assessment area disclosed that all of the loans were extended to businesses with total gross annual revenues of less than one million dollars. In fact, all of the loans were to farms with gross annual revenues of less than two hundred and fifty thousand dollars.

FARM LOANS				
REVENUES	NUMBER	PERCENT	AMOUNT	PERCENT
Less than \$100,000	25	81	1,430,666	71
\$100,000 to \$250,000	6	19	583,617	29
TOTAL	31	100	2,014,283	100

Overall, the bank's lending to borrowers of different income levels and to farms of different sizes exceeds expectations.

#### Geographic Distribution of Loans

The bank has two BNAs in its assessment area. The following tables show the geographic distribution of consumer, residential real estate, and agricultural loans originated within the assessment area.

CONSUMER LOANS				
GEOGRAPHY	NUMBER	PERCENT	AMOUNT	PERCENT
9611	30	77	161,924	82
9613	9	23	36,609	18
TOTAL	39	100	198,533	100

RESIDENTIAL REAL ESTATE LOANS				
GEOGRAPHY	NUMBER	PERCENT	AMOUNT	PERCENT
9611	17	57	540,662	59
9613	13	43	373,096	41
TOTAL	30	100	913,758	100

FARM LOANS				
GEOGRAPHY	NUMBER	PERCENT	AMOUNT	PERCENT
9611 - Middle	19	61	796,478	40
9613 - Middle	12	39	1,217,805	60
TOTAL	31	100	2,014,283	100

As the above tables reveal, a majority of the bank's loans are in BNA 9611, which includes the Town of Alamo, where the bank's main office and one branch are located.

Commercial loans are the smallest portion of the bank's loan portfolio; therefore, they were given a limited review. A trial of all commercial loans containing 49 accounts originated from January 2, 1997 to February 2, 1998 was reviewed. All were in amounts ranging from \$1,404 to \$134,619, with two in amounts of \$100,000 or more. Management stated that all commercial loans were to businesses with gross annual revenue of less than one million dollars.

Overall, the bank's lending patterns reflects reasonable dispersion throughout the assessment area, and meets the standards for satisfactory performance.

## **COMPLIANCE WITH ANTIDISCRIMINATORY LAWS AND REGULATIONS**

No violations of the substantive provisions of the antidiscriminatory laws and regulations were identified during the examination.